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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
POLICY SUBCOMMITTEE  
OF THE  
INVESTMENT COMMITTEE**

**MINUTES OF MEETING**

**April 14, 2006**

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A meeting of the Policy Subcommittee was held on Friday, April 14, 2006 in the Lincoln Plaza North Building, Room 1140, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 11:00 a.m. and the following members were present:

Priya Mathur, Chair  
Marjorie Berte, Vice Chair  
Robert F. Carlson  
Tony Oliveira  
Charles Valdes

Other Board Members present:

Karen Greene Ross, representing Steve Westly  
Rosalind Brewer, representing Philip Angelides

Roz Hewsenian, Wilshire Associates Inc., Mike Moy and Pam Alsterlind, Pension Consulting Alliance, were available to respond to questions from the Subcommittee regarding the agenda items.

**AGENDA ITEM 2 – APPROVAL OF THE FEBRUARY 2006 MEETING MINUTES**

On **MOTION** by Mr. Valdez, **SECONDED** and **CARRIED** to approve the February 10, 2006 meeting minutes as presented.

**AGENDA ITEM 3 – ELECTION OF CHAIR AND VICE CHAIR**

The Policy Subcommittee elected Priya Mathur as Chair and Marjorie Berte as Vice Chair.

**AGENDA ITEM 4a – REAL ESTATE POLICY, Revision of Global Public Real Estate Equity Securities (Global PREES)**

Jane Delfendahl, Investment Officer, presented the item.

The Global PREES Statement of Investment Policy currently allows only for active external management of international securities. The policy change allows Staff to manage a portfolio of international securities on a passive basis. This change is intended to conform the policy to action taken by the Investment Committee on February 14, 2006.

On **MOTION** by Mr. Carlson, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised Statement of Investment Policy for Global Public Real Estate Securities (Global PREES).

**AGENDA ITEM 5a – ALTERNATIVE INVESTMENT MANAGEMENT POLICY, Revision of Alternative Investment Management Program to Revise Benchmarks**

Leon Shahinian, Senior Investment Officer, and Sarah Corr, Portfolio Manager, presented the item.

The Strategic Review of the AIM Program, completed in October 2005, recommended evaluation of AIM's Benchmarks. After analysis by Russell Investment Group, Wilshire Associates, and Pension Consulting Alliance, the following recommended revisions are being presented:

- Continue use of dual benchmarks (long term and short term)
- Continue use of a US equity market index when calculating the long term benchmark
- Continue use of rolling ten year periods in computing the long term benchmark
- Lower the return premium to 300 basis points (over the public market index)
- Continue use of Venture Economics young fund median return in computing the short term benchmark

On **MOTION** by Mr. Valdes, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised Statement of Investment Policy for Alternative Investment Management Program.

**AGENDA ITEM 6a – MISCELLANEOUS POLICY, Revision of Directed Brokerage Arrangement**

Anne Stausboll, Interim Chief Investment Officer, and Matt Flynn, Investment Office Assistant Division Chief, presented the item.

Staff brings this policy revision forward to address two issues:

1. To acknowledge in Policy, CalPERS' adoption of a narrow definition of directed brokerage.
2. To update and clarify language and align the Policy with current CalPERS practice.

This Policy revision also removes the administrative functions from the policy document, acknowledging they belong more appropriately in administrative procedure desk manuals. All administrative controls currently in place will remain in effect.

Staff reported that additional changes will be needed to comply with proposed SEC Guidelines.

On **MOTION** by Ms. Berte, **SECONDED** and **CARRIED** to approve the first reading of the revised Statement of Investment Policy for Directed Brokerage Arrangement. The policy will return for a second reading at the June 2006 Policy Subcommittee meeting.

#### **AGENDA ITEM 7a – ADMINISTRATIVE, Policy Review Project**

Anne Stausboll, Interim Chief Investment Officer, presented the item.

The Investment Committee policies were last reviewed in 2000. Given the Committee's emphasis on sound policy and compliance, and based on a review of the existing policies, staff has – as indicated in its annual plan for this year – embarked upon a comprehensive project to review, update, and improve upon the existing body of investment policy.

Staff provided an overview of the project objectives, approach, resources/staffing, and high level timeline. Allan Goldstein is the project manager. Staff will be prepared in July 2006 to present to the Board a summary and analysis of the existing delegations.

Subcommittee Members provided input regarding the process and accepted the information report.

#### **AGENDA ITEM 7b – ADMINISTRATIVE, Proposed June 2006 Agenda**

The Subcommittee accepted the proposed June 2006 agenda.

#### **AGENDA ITEM 8 – PUBLIC COMMENT**

There were no public comments.

The meeting was adjourned at 11:30 a.m.

The next meeting of the Subcommittee is scheduled for June 16, 2006 at a time to be determined in Sacramento, California.